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Safe Havens

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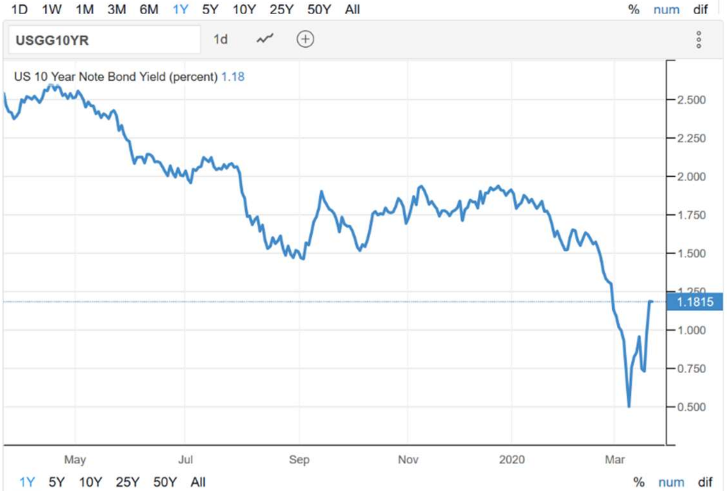
Aftershocks continued in Salt Lake City today, and in the capital markets. The aftershocks from yesterday's earthquake were barely noticeable; however, the aftershocks in the capital markets resulted in swings of stock prices and commodity prices – certainly noticeable. After starting the day in the red, the stock market swung positive and closed modestly higher on Thursday following Wednesday's session that drove the Dow Jones Industrial Average to a three-year low. Massive stimulus from the European Central Bank as well as the Bank of Japan along with a signal of stimulus from China helped turn the stock market green.

Signs were prevalent of an economy that was temporarily taking a social distancing break. Many workers are social distancing and working from home, while workers in healthcare, medical, biotech companies are raceing to take care of patients and/or race for antiviral answers to COVID-19. Similarly, workers in grocery and consumer products companies also race to keep supply chains flowing.

In what is becoming a surreal experience, social distancing is the front line of defense against the coronavirus. Worldwide, people as well as capital markets are anxious to replace social distancing with antiviral therapies, treatments, vaccines or other methods that will control the spread of COVID-19. While the prospects of vaccines are something for the future, medical professionals, scientists and public health care professionals, expressed optimism that the medical community will find relief in the near term and ultimately concur the coronavirus.



Times of uncertainly, drive investors to safe havens -- places where investors would feel that their money is safe. Traditionally, U.S. investors have considered gold and U.S. Treasury 10-year notes as those safe haven assets. As this coronavirus challenge presented itself, investors quickly moved money to these safe haven assets. Recently, that there has been an interesting trend that while the stock market has continued its volatility, investors have been moving away from gold and U.S. Treasury 10-year notes.

In fact, as shown in the adjacent graphs, Gold prices have fallen to a level where they were to begin the year. Similarly, the yield on U.S. Treasury 10-year note has risen – which means that the price of the U.S. Treasury 10-year note has fallen indicating that investors are selling.

While the gold price has round tripped for the year, the price of the 10-year note has not. Yet, it is an interesting sign nonetheless that investor, at the margin are seeking cash and coming out of safe haven assets…….it will be wonderful when we augment this development with American workers coming out of their "safe havens"!

Source: Trading Economics